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SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-9357; 34-67771 / August 31, 2012]

Order Making Fiscal Year 2013 Annual Adjustments to Registration Fee Rates

I.   Background

The Commission collects fees under various provisions of the securities laws.

Section 6(b) of the Securities Act of 1933 ("Securities Act") requires the Commission to

collect fees from issuers on the registration of securities.[1] Section 13(e) of the Securities

Exchange Act of 1934 ("Exchange Act") requires the Commission to collect fees on

specified repurchases of securities.[2] Section 14(g) of the Exchange Act requires the

Commission to collect fees on proxy solicitations and statements in corporate control

transactions.[3]

The Investor and Capital Markets Fee Relief Act of 2002 ("Fee Relief Act")[4]

required the Commission to make annual adjustments to the fee rates applicable under

these sections for each of the fiscal years 2003 through 2011 in an attempt to generate

collections equal to yearly targets specified in the statute.[5] Under the Fee Relief Act,

each year's fee rate was announced on the preceding April 30, and took effect five days

after the date of enactment of the Commission's regular appropriation.

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[1]   15 U.S.C. 77f(b).

[2]   15 U.S.C. 78m(e).

[3]   15 U.S.C. 78n(g).

[4]   Pub. L. No. 107-123, 115 Stat. 2390 (2002).

[5]   *See* 15 U.S.C. §§ 77f(b)(5), 77f(b)(6), 78m(e)(5), 78m(e)(6), 78n(g)(5) and 78n(g)(6).

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act")[6] changed many of the provisions related to these fees. The Dodd-Frank Act created new annual collection targets for FY 2012 and thereafter. It also changed the date by which the Commission must announce a new fiscal year's fee rate (August 31) and the date on which the new rate takes effect (October 1).

II.   Fiscal Year 2013 Annual Adjustment to the Fee Rate

Section 6(b)(2) of the Securities Act, as amended by the Dodd-Frank Act, requires the Commission to make an annual adjustment to the fee rate applicable under Section 6(b).[7] The annual adjustment to the fee rate under Section 6(b) of the Securities Act also sets the annual adjustment to the fee rates under Sections 13(e) and 14(g) of the Exchange Act.[8]

Section 6(b)(2) sets forth the method for determining the annual adjustment to the fee rate under Section 6(b) for fiscal year 2013. Specifically, the Commission must adjust the fee rate under Section 6(b) to a "rate that, when applied to the baseline estimate of the aggregate maximum offering prices for [fiscal year 2013], is reasonably likely to produce aggregate fee collections under [Section 6(b)] that are equal to the target fee collection amount for [fiscal year 2013]." That is, the adjusted rate is determined by dividing the "target fee collection amount" for fiscal year 2013 by the "baseline estimate of the aggregate maximum offering prices" for fiscal year 2013.

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[6]   Pub. L. No. 111-203, 124 Stat.1376 (2010).

[7]   15 U.S.C. § 77f(b)(2). The annual adjustments are designed to adjust the fee rate in a given fiscal year so that, when applied to the aggregate maximum offering price at which securities are proposed to be offered for the fiscal year, it is reasonably likely to produce total fee collections under Section 6(b) equal to the "target fee collection amount" specified in Section 6(b)(6)(A) for that fiscal year.

[8]   15 U.S.C. § 78m(e)(4) and 15 U.S.C. § 78n(g)(4).

Section 6(b)(6)(A) specifies that the "target fee collection amount" for fiscal year 2013 is $455,000,000. Section 6(b)(6)(B) defines the "baseline estimate of the aggregate maximum offering price" for fiscal year 2013 as "the baseline estimate of the aggregate maximum offering price at which securities are proposed to be offered pursuant to registration statements filed with the Commission during [fiscal year 2013] as determined by the Commission, after consultation with the Congressional Budget Office and the Office of Management and Budget . . . ."

To make the baseline estimate of the aggregate maximum offering price for fiscal year 2013, the Commission used a methodology similar to that developed in consultation with the Congressional Budget Office ("CBO") and Office of Management and Budget ("OMB") to project the aggregate offering price for purposes of the fiscal year 2012 annual adjustment.[9] Using this methodology, the Commission determines the "baseline estimate of the aggregate maximum offering price" for fiscal year 2013 to be $3,336,846,226,098.[10] Based on this estimate, the Commission calculates the fee rate for fiscal 2013 to be $136.40 per million. This adjusted fee rate applies to Section 6(b) of the Securities Act, as well as to Sections 13(e) and 14(g) of the Exchange Act.

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[9]   For the fiscal year 2011 estimate, the Commission used a ten-year series of monthly observations ending in March 2011. For fiscal year 2012, the Commission used a ten-year series ending in July 2011. For fiscal year 2013, the Commission used a ten-year series ending in July 2012.

[10]   Appendix A explains how we determined the "baseline estimate of the aggregate maximum offering price" for fiscal year 2013 using our methodology, and then shows the purely arithmetical process of calculating the fiscal year 2013 annual adjustment based on that estimate. The appendix includes the data used by the Commission in making its "baseline estimate of the aggregate maximum offering price" for fiscal year 2013.

III. **Effective Dates of the Annual Adjustments**

The fiscal year 2013 annual adjustments to the fee rates applicable under Section 6(b) of the Securities Act and Sections 13(e) and 14(g) of the Exchange Act will be effective on October 1, 2012.[11]

IV. **Conclusion**

Accordingly, pursuant to Section 6(b) of the Securities Act and Sections 13(e) and 14(g) of the Exchange Act,[12]

IT IS HEREBY ORDERED that the fee rates applicable under Section 6(b) of the Securities Act and Sections 13(e) and 14(g) of the Exchange Act shall be $136.40 per million effective on October 1, 2012.

By the Commission.

Elizabeth M. Murphy
Secretary

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[11]   15 U.S.C. § 77f(b)(4), 15 U.S.C. § 78m(e)(6) and 15 U.S.C. § 78n(g)(6).

[12]   15 U.S.C. 77f(b), 78m(e) and 78n(g).

APPENDIX A

With the passage of the Dodd-Frank Wall Street Reform and Consumer

Protection Act, Congress has, among other things, established a target amount of monies

to be collected from fees charged to issuers based on the value of their registrations. This

appendix provides the formula for determining such fees, which the Commission adjusts

annually. Congress has mandated that the Commission determine these fees based on the

"aggregate maximum offering prices," which measures the aggregate dollar amount of

securities registered with the Commission over the course of the year. In order to

maximize the likelihood that the amount of monies targeted by Congress will be

collected, the fee rate must be set to reflect projected aggregate maximum offering prices.

As a percentage, the fee rate equals the ratio of the target amounts of monies to the

projected aggregate maximum offering prices.

For 2013, the Commission has estimated the aggregate maximum offering prices

by projecting forward the trend established in the previous decade. More specifically, an

ARIMA model was used to forecast the value of the aggregate maximum offering prices

for months subsequent to July 2012, the last month for which the Commission has data

on the aggregate maximum offering prices.

The following sections describe this process in detail.

A. Baseline estimate of the aggregate maximum offering prices for fiscal year 2013.

First, calculate the aggregate maximum offering prices (AMOP) for each month

in the sample (July 2002 - July 2012). Next, calculate the percentage change in the

AMOP from month to month.

Model the monthly percentage change in AMOP as a first order moving average process. The moving average approach allows one to model the effect that an exceptionally high (or low) observation of AMOP tends to be followed by a more "typical" value of AMOP.

Use the estimated moving average model to forecast the monthly percent change in AMOP. These percent changes can then be applied to obtain forecasts of the total dollar value of registrations. The following is a more formal (mathematical) description of the procedure:

1. Begin with the monthly data for AMOP. The sample spans ten years, from July 2002 to July 2012.

2. Divide each month's AMOP (column C) by the number of trading days in that month (column B) to obtain the average daily AMOP (AAMOP, column D).

3. For each month t, the natural logarithm of AAMOP is reported in column E.

4. Calculate the change in log(AAMOP) from the previous month as
   $\Delta_t = \log(\text{AAMOP}_t) - \log(\text{AAMOP}_{t-1})$. This approximates the percentage change.

5. Estimate the first order moving average model $\Delta_t = \alpha + \beta e_{t-1} + e_t$, where e_t denotes the forecast error for month t. The forecast error is simply the difference between the one-month ahead forecast and the actual realization of Δ_t. The forecast error is expressed as $e_t = \Delta_t - \alpha - \beta e_{t-1}$. The model can be estimated using standard commercially available software. Using least squares, the estimated parameter values are α=0.0016886 and β=−0.85600.

6. For the month of August 2012 forecast $\Delta_{t=8/12} = \alpha + \beta e_{t=7/12}$. For all subsequent months, forecast $\Delta_t = \alpha$.

7. Calculate forecasts of log(AAMOP). For example, the forecast of log(AAMOP) for October 2012 is given by $\text{FLAAMOP}_{t=10/12} = \log(\text{AAMOP}_{t=7/12}) + \Delta_{t=8/12} + \Delta_{t=9/12} + \Delta_{t=10/12}$.

8. Under the assumption that e_t is normally distributed, the n-step ahead forecast of AAMOP is given by $\exp(\text{FLAAMOP}_t + \sigma_n^2/2)$, where σ_n denotes the standard error of the n-step ahead forecast.

9. For October 2012, this gives a forecast AAMOP of $13.0 billion (Column I), and a forecast AMOP of $299.4 billion (Column J).

10. Iterate this process through September 2013 to obtain a baseline estimate of the aggregate maximum offering prices for fiscal year 2013 of $3,336,846,226,098.

B. Using the forecasts from A to calculate the new fee rate.

1. Using the data from Table A, estimate the aggregate maximum offering prices between 10/1/12 and 9/30/13 to be $3,336,846,226,098.

2. The rate necessary to collect the target $455,000,000 in fee revenues set by Congress is then calculated as: $455,000,000 ÷ $3,336,846,226,098= 0.000136356.

3. Round the result to the seventh decimal point, yielding a rate of 0.0001364 (or $136.40 per million).

Table A. Estimation of baseline of aggregate maximum offering prices .

Fee rate calculation.

a. Baseline estimate of the aggregate maximum offering prices, 10/1/12 to 9/30/13 ($Millions)	3,336,846
b. Implied fee rate ($455 Million / a)	$136.40

Data

(A) Month	(B) # of Trading Days in Month	(C) Aggregate Maximum Offering Prices, in $Millions	(D) Average Daily Aggregate Max. Offering Prices (AAMOP) in $Millions	(E) log(AAMOP)	(F) Change in AAMOP	(G) Forecast log(AAMOP)	(H) Standard Error	(I) Forecast AAMOP, in $Millions	(J) Forecast Aggregate Maximum Offering Prices, in $Millions
Jul-02	22	208,638	9,484	22.973					
Aug-02	22	265,750	12,080	23.215	0.242				
Sep-02	20	109,565	5,478	22.424	-0.791				
Oct-02	23	179,374	7,799	22.777	0.353				
Nov-02	20	243,590	12,179	23.223	0.446				
Dec-02	21	212,838	10,135	23.039	-0.184				
Jan-03	21	201,839	9,611	22.986	-0.053				
Feb-03	19	144,642	7,613	22.753	-0.233				
Mar-03	21	444,331	21,159	23.775	1.022				
Apr-03	21	142,373	6,780	22.637	-1.138				
May-03	21	328,792	15,657	23.474	0.837				
Jun-03	21	281,580	13,409	23.319	-0.155				
Jul-03	22	304,383	13,836	23.351	0.031				
Aug-03	21	328,351	15,636	23.473	0.122				
Sep-03	21	459,563	21,884	23.809	0.336				
Oct-03	23	285,039	12,393	23.240	-0.569				
Nov-03	19	257,779	13,567	23.331	0.091				
Dec-03	22	244,998	11,136	23.133	-0.197				
Jan-04	20	369,784	18,489	23.640	0.507				
Feb-04	19	221,517	11,659	23.179	-0.461				
Mar-04	23	448,543	19,502	23.694	0.514				
Apr-04	21	260,029	12,382	23.240	-0.454				
May-04	20	227,239	11,362	23.154	-0.086				
Jun-04	21	370,668	17,651	23.594	0.441				
Jul-04	21	305,519	14,549	23.401	-0.193				
Aug-04	22	179,688	8,168	22.823	-0.577				
Sep-04	21	357,007	17,000	23.556	0.733				

Oct-04	21	254,489	12,119	23.218	-0.338				
Nov-04	21	363,406	17,305	23.574	0.356				
Dec-04	22	570,918	25,951	23.979	0.405				
Jan-05	20	375,484	18,774	23.656	-0.324				
Feb-05	19	338,922	17,838	23.605	-0.051				
Mar-05	22	590,862	26,857	24.014	0.409				
Apr-05	21	282,018	13,429	23.321	-0.693				
May-05	21	323,652	15,412	23.458	0.138				
Jun-05	22	517,022	23,501	23.880	0.422				
Jul-05	20	457,487	22,874	23.853	-0.027				
Aug-05	23	605,534	26,328	23.994	0.141				
Sep-05	21	312,281	14,871	23.423	-0.571				
Oct-05	21	258,956	12,331	23.235	-0.187				
Nov-05	21	192,736	9,178	22.940	-0.295				
Dec-05	21	308,134	14,673	23.409	0.469				
Jan-06	20	526,550	26,328	23.994	0.585				
Feb-06	19	301,446	15,866	23.487	-0.506				
Mar-06	23	1,211,344	52,667	24.687	1.200				
Apr-06	19	407,345	21,439	23.788	-0.899				
May-06	22	260,121	11,824	23.193	-0.595				
Jun-06	22	375,296	17,059	23.560	0.367				
Jul-06	20	232,654	11,633	23.177	-0.383				
Aug-06	23	310,050	13,480	23.325	0.147				
Sep-06	20	236,782	11,839	23.195	-0.130				
Oct-06	22	213,342	9,697	22.995	-0.200				
Nov-06	21	292,456	13,926	23.357	0.362				
Dec-06	20	349,512	17,476	23.584	0.227				
Jan-07	20	372,740	18,637	23.648	0.064				
Feb-07	19	278,753	14,671	23.409	-0.239				
Mar-07	22	862,786	39,218	24.392	0.983				
Apr-07	20	562,103	28,105	24.059	-0.333				
May-07	22	470,843	21,402	23.787	-0.272				
Jun-07	21	586,822	27,944	24.053	0.267				
Jul-07	21	326,612	15,553	23.468	-0.586				

Aug-07	23	369,172	16,051	23.499	0.032				
Sep-07	19	241,059	12,687	23.264	-0.235				
Oct-07	23	239,652	10,420	23.067	-0.197				
Nov-07	21	458,654	21,841	23.807	0.740				
Dec-07	20	410,200	20,510	23.744	-0.063				
Jan-08	21	354,433	16,878	23.549	-0.195				
Feb-08	20	263,410	13,171	23.301	-0.248				
Mar-08	20	596,923	29,846	24.119	0.818				
Apr-08	22	292,534	13,297	23.311	-0.809				
May-08	21	456,077	21,718	23.801	0.491				
Jun-08	21	461,087	21,957	23.812	0.011				
Jul-08	22	232,896	10,586	23.083	-0.730				
Aug-08	21	395,440	18,830	23.659	0.576				
Sep-08	21	177,636	8,459	22.858	-0.800				
Oct-08	23	360,494	15,674	23.475	0.617				
Nov-08	19	288,911	15,206	23.445	-0.030				
Dec-08	22	319,584	14,527	23.399	-0.046				
Jan-09	20	375,065	18,753	23.655	0.255				
Feb-09	19	249,666	13,140	23.299	-0.356				
Mar-09	22	739,931	33,633	24.239	0.940				
Apr-09	21	235,914	11,234	23.142	-1.097				
May-09	20	329,522	16,476	23.525	0.383				
Jun-09	22	357,524	16,251	23.511	-0.014				
Jul-09	22	185,187	8,418	22.854	-0.658				
Aug-09	21	192,726	9,177	22.940	0.086				
Sep-09	21	189,224	9,011	22.922	-0.018				
Oct-09	22	215,720	9,805	23.006	0.085				
Nov-09	20	248,353	12,418	23.242	0.236				
Dec-09	22	340,464	15,476	23.463	0.220				
Jan-10	19	173,235	9,118	22.933	-0.529				
Feb-10	19	209,963	11,051	23.126	0.192				
Mar-10	23	432,934	18,823	23.658	0.533				
Apr-10	21	280,188	13,342	23.314	-0.344				
May-10	20	278,611	13,931	23.357	0.043				

Jun-10	22	364,251	16,557	23.530	0.173				
Jul-10	21	171,191	8,152	22.822	-0.709				
Aug-10	22	240,793	10,945	23.116	0.295				
Sep-10	21	260,783	12,418	23.242	0.126				
Oct-10	21	214,988	10,238	23.049	-0.193				
Nov-10	21	340,112	16,196	23.508	0.459				
Dec-10	22	297,992	13,545	23.329	-0.179				
Jan-11	20	233,668	11,683	23.181	-0.148				
Feb-11	19	252,785	13,304	23.311	0.130				
Mar-11	23	595,198	25,878	23.977	0.665				
Apr-11	20	236,355	11,818	23.193	-0.784				
May-11	21	319,053	15,193	23.444	0.251				
Jun-11	22	359,727	16,351	23.518	0.073				
Jul-11	20	215,391	10,770	23.100	-0.418				
Aug-11	23	179,870	7,820	22.780	-0.320				
Sep-11	21	168,005	8,000	22.803	0.023				
Oct-11	21	181,452	8,641	22.880	0.077				
Nov-11	21	256,418	12,210	23.226	0.346				
Dec-11	21	237,652	11,317	23.150	-0.076				
Jan-12	20	276,965	13,848	23.351	0.202				
Feb-12	20	228,419	11,421	23.159	-0.193				
Mar-12	22	430,806	19,582	23.698	0.539				
Apr-12	20	173,626	8,681	22.884	-0.813				
May-12	22	414,122	18,824	23.658	0.774				
Jun-12	21	272,218	12,963	23.285	-0.373				
Jul-12	21	170,462	8,117	22.817	-0.468				
Aug-12	23					23.217	0.365	12,939	297,607
Sep-12	19					23.219	0.369	12,979	246,606
Oct-12	23					23.220	0.373	13,019	299,441
Nov-12	21					23.222	0.376	13,059	274,244
Dec-12	20					23.224	0.380	13,099	261,988
Jan-13	21					23.225	0.384	13,140	275,934
Feb-13	19					23.227	0.387	13,180	250,423
Mar-13	20					23.229	0.391	13,221	264,414

Apr-13	22					23.230	0.394	13,261	291,750
May-13	22					23.232	0.398	13,302	292,648
Jun-13	20					23.234	0.401	13,343	266,862
Jul-13	22					23.235	0.405	13,384	294,451
Aug-13	22					23.237	0.408	13,425	295,357
Sep-13	20					23.239	0.412	13,467	269,333

Figure A
Aggregate Maximum Offering Prices Subject to Securities Act Section 6(b)
(Dashed Line Indicates Forecast Values)

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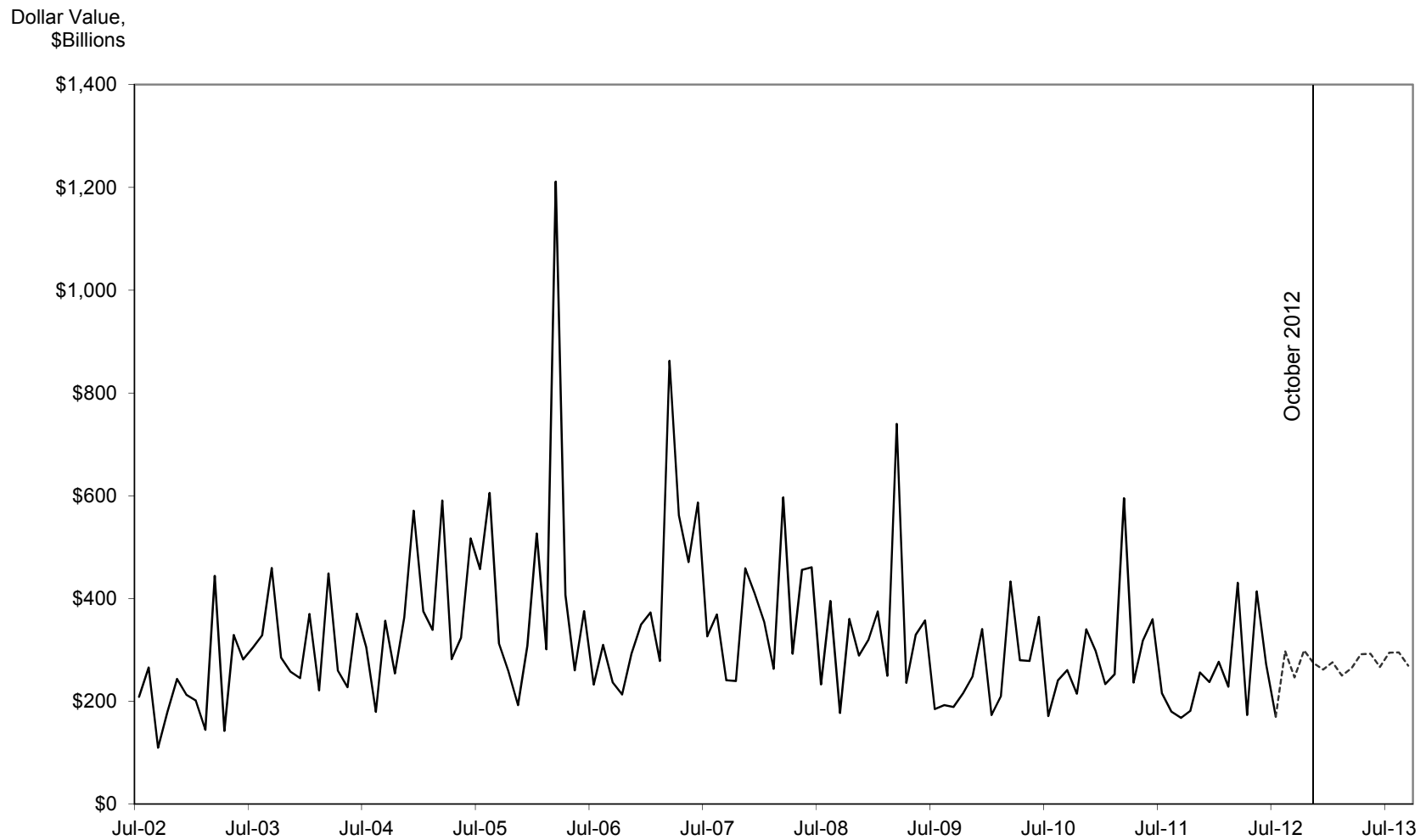
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